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SUBJECT: Deputy Treasury Undersecretary on U.S. Company
Problems and the March Investor Conference

Ref: Ankara 377

Summary

1. (SBU) Cavit Dagdas, a Deputy Undersecretary at the Turkish Treasury, told us the GOT is working toward a useful Investor Advisory Council meeting in March, in which foreign companies give frank advice on how to improve the investment climate. He also asked for USG help in ensuring that the U.S. private sector is represented. On data exclusivity, Dagdas said the GOT is working on a compromise between the generic and brand-name companies, and hinted that a policy announcement will not be made for some time. We also raised problems facing Cargill, energy companies, Dillingham and Motorola. End Summary.

Investor Advisory Council (IAC)

2. (U) In a January 28 meeting on investment issues, Deputy Treasury Undersecretary Cavit Dagdas told EconCouns and Econoff that the Turkish Government is working toward a successful launch of the IAC on March 15. The goal is for a group of about 15 chief executives from large multinationals to share their views on how Turkey could attract more foreign direct investment with the Prime Minister and senior GOT officials, as well as with IMF Managing Director Kohler and World Bank President Wolfensohn. The IAC would be convened once or twice a year, and Turkey's Investment Environment Improvement Coordinating Committee (Turkish acronym YOIKK) would serve as its secretariat.

3. (U) The GOT invited executives from multinationals with investments in Turkey as well as from those who have not invested. Dagdas asked for USG assistance in ensuring that at least one U.S. company is represented at the CEO level at the IAC. He said the GOT is thinking about inviting one or all of the following: Newmont, Texas Instruments, Dell, IBM and DuPont. Some of the other foreign companies invited include Metro, Iscar, Pirelli-FIAT, Sony, Toyota, Renault and Cadbury-Schweppes, though it is not yet clear how many of them will participate and at what level.

4. (U) EconCouns responded that the Embassy would look into this request, but emphasized that progress on outstanding investment and other disputes involving U.S. companies is the best way to spark investor interest in the Turkey.

Pharmaceuticals/Intellectual Property

5. (U) We stressed the importance of swiftly implementing data exclusivity protection to Turkey's investment climate, its record of WTO compliance and its prospects in the upcoming Special 301 cycle.

6. (SBU) Dagdas stressed that Turkey's pharmaceuticals policies should protect intellectual property and reward the research that generates new drugs. Alluding to Turkey's policy of referencing drug prices to those in other countries, he said Turkey cannot be expected to pay developed world prices for brand-name drugs.

7. (SBU) Dagdas said he had met repeatedly with both generic

and research-based companies on data exclusivity, and that the GOT definitely intends to implement it, but with a compromise implementation date somewhere between the generics companies' proposal of 2007 and the research-based companies' demand that this happen immediately. Echoing other Embassy contacts (reftel), he suggested the GOT might start with a short protection period (two or three years) and increase it gradually.

18. (SBU) Dagdas said that an interagency committee would meet on the data exclusivity issue in early February and recommend a "roadmap" for implementation to relevant ministers, but he implied that a final decision might not be issued until after the March 15 IAC. We pressed hard for a decision that would bring Turkey in line with international standards rapidly, arguing that there is no justification for allowing local generic producers to continue to profit based on the work of research-based companies.

Other Investment Problems -----

19. (SBU) Cargill: We raised Cargill's zoning problem, noting our understanding that a draft industrial zones law addressing the problem would be submitted to Parliament soon. Dagdas expressed sympathy for Cargill's predicament, but opined that the legal issues surrounding the case would not easily be resolved and might even require constitutional amendments. Comment: Cagdas is the only GOT interlocutor who has implied that the Cargill problem cannot be resolved relatively easily and soon, and he may not be well-briefed on this issue. End Comment.

110. (SBU) Energy Projects: Econ Counselor stressed the need to come to a fair resolution of the dispute between the Energy Ministry and energy build-operate-transfer (BOT) companies over pricing and licensing. GOT harassment of the companies is sending a very negative signal to potential investors. Dagdas responded that this was a very difficult issue for the GOT because corruption is alleged in some of the contracts and because high electricity tariffs are hurting Turkish industry. He suggested that he might try to open discussion on this issue in the YOIKK framework in the future.

111. (U) Others: EconCouns also raised the Motorola-Telsim case and Dillingham International's difficulties in enforcing arbitral judgements in Turkey. Dagdas took notes on our presentation, but offered no substantive answer on these disputes.
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